

SURREBUTTAL TESTIMONY
OF
MARY H. EVERSON
ACCOUNTING DEPARTMENT
FINANCIAL ANALYSIS DIVISION
ILLINOIS COMMERCE COMMISSION

AMERITECH ILLINOIS

DOCKET NO. 98-0252/0335 (CONSOL.)

JANUARY 30, 2001

TABLE OF CONTENTS

WITNESS IDENTIFICATION	1
PURPOSE OF TESTIMONY	1
DIRECTORY REVENUE	2
EXTERNAL RELATIONS	4
CONCLUSION	5

1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Mary H. Everson. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois, 62701.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am an Accountant in the Accounting Department of the Financial Analysis Division
7 of the Illinois Commerce Commission.

8 **Q. Are you the same Mary H. Everson who previously filed testimony in this**
9 **docket?**

10 A. Yes, I filed direct testimony in November 2000 and rebuttal in January 2001 for this
11 proceeding.

12 **Purpose of Testimony**

13 **Q. What is the purpose of this testimony?**

14 A. The purpose of my testimony is to respond to the issues raised by Government and
15 Consumer Intervenors, ("GCI") witness Ralph C. Smith. Specifically, I will address
16 adjustments to directory revenue, and external relations.

17 **Q. Are you sponsoring any schedules as part of Staff Exhibit 32.0?**

18 A. Yes, I am. As part of this testimony I am presenting Schedule 32.01, Directory
19 Revenue.

20 **Directory Revenue**

21 **Q. GCI witness Ralph C. Smith in GCI Exhibit 6.2 proposes an adjustment to**
22 **directory revenues similar to the one you proposed in direct testimony. Are**
23 **you familiar with the rebuttal adjustment proposed by Mr. Smith?**

24 A. Yes, I am. The adjustments made by Mr. Smith and myself are similar and are
25 proposed with the same intent.

26 **Q. Mr. Smith's directory revenue adjustment proposed in his Rebuttal differs in**
27 **amount from the amount proposed in his Direct Testimony. Does this affect**
28 **your rebuttal adjustment?**

29 A. Yes, it does, Mr. Smith has chosen to reduce the amount of his imputed directory
30 revenue to \$126 million, the amount I proposed in direct testimony (Staff EX. 7.0). In
31 my direct testimony and Schedule 7.01, Directory Revenue, I presented an
32 adjustment to Ameritech Illinois' ("AI" or "Company") revenues for the imputed
33 revenue that was included in the Company's prior case, Illinois Bell Telephone
34 Company, ICC Docket Nos. 92-0448/93-0239, (Consol.), dated October 11, 1994.
35 In 92-0448/93-0239, the Commission found that Ameritech had rendered Illinois
36 Bell's negotiating position worthless by guaranteeing that the 1984 Directory
37 Services contract with Donnelly, then up for renewal or re-negotiation, would be
38 renewed without a change in terms. On pages 101 and 103 of the 92-0448/93-0239
39 Order, the Commission states:

40 The Commission finds that during the 1990 negotiations which
41 involved IBT's exclusive option to renew the directories agreement,
42 IBT, Ameritech, and API failed to engage in arms length
43 negotiations. Instead, Ameritech and API used IBT's option as
44 bargaining leverage in negotiating an agreement that benefited only
45 API – Ameritech's unregulated subsidiary. This was done to the
46 detriment of IBT – Ameritech's regulated subsidiary. By diverting
47 the contract revenues from IBT to API, Ameritech shareholders
48 received a windfall by not having the revenues count towards IBT's
49 revenue requirements.

50 Furthermore, the Commission concludes that staff's \$51 million
51 upward adjustment to revenues received by IBT from its directory
52 relationship is necessary to prevent any harm to IBT's ratepayers
53 from Ameritech's cross-subsidization of revenues from IBT to API.

54 In the 92-0448/93-0239 Order, the Commission found in favor of Staff's adjustment
55 to directory revenue of \$51,000,000 and ordered that it be included in the

56 Company's revenue requirement, bringing the total amount of directory revenue
57 included in Ameritech's revenue requirement to \$126,000,000.

58 On pages 2-3 of my Rebuttal Testimony, I changed from the position I adopted in
59 direct testimony to adopt Mr. Smith's position because it was updated using more
60 recent information than I was provided. In his Rebuttal Testimony, on pages 31-32,
61 Mr. Smith states that he has further revised the amount of his imputed directory
62 revenue to \$126,000,000 based on additional information provided by the
63 Company. Since Mr. Smith now believes that the appropriate amount of imputed
64 directory revenue is \$126,000,000, the same amount as I proposed in my direct
65 testimony. Since I did not perform an analysis to independently verify Mr. Smith's
66 proposed \$163,000,000, I therefore believe the best alternative in this situation is to
67 return to my original adjustment, as stated in my Direct Testimony, on lines 43-75, --
68 recommending that the imputed directory revenue equal the total amount deemed
69 appropriate in the last docket, \$126,000,000 (\$75M directory contract + \$51M
70 imputed directory revenue).

71 **External Relations Expense**

72 **Q. GCI witness Ralph Smith agrees with Ameritech witness Timothy Dominak**
73 **on the amount of corporate image building advertising expense recorded in**
74 **account 6722, External Relations. Do you agree with that amount?**

75 A. Actually, two different intrastate operating amounts for corporate image advertising
76 were provided by the Company. In rebuttal testimony, Timothy Dominak states that
77 “[o]f the \$20.413 million in intra-state external relations expenses, which Ms.
78 Everson proposes to adjust, only \$7.610 million represent non-product
79 “institutional” or “goodwill” advertising costs”. In response to CUB data request
80 5.36, the Company indicated that the amount was \$6.807 million. Staff has not
81 been provided with details related to the amounts recorded in account 6722 and is
82 unable to perform a review to determine the correct amount. Therefore, since Staff
83 is not able to verify either the \$7.610 million or the \$6.807million provided in
84 response to CUB data request 5.36, I do not agree with Mr. Smith’s adjustment of
85 \$6.807million. I continue to support my adjustment to disallow the entire intra-state
86 external relations expense as presented in Staff Exhibit 21.0, Schedule 21.04.

87 **Conclusion**

88 **Q. Does this conclude your surrebuttal testimony?**

89 A. Yes.